



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FLOYD COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

July 19, 2001

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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FLOYD COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES

July 19, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Floyd County Sheriff as of July 19, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected net taxes of \$9,619,629 for the districts for 2000 taxes. The Sheriff distributed \$9,605,611 to the districts for 2000 taxes.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Paul H. Thompson, Floyd County Judge/Executive

Honorable John K. Blackburn, Floyd County Sheriff

Members of the Floyd County Fiscal Court

Independent Auditor's Report

We have audited the Floyd County Sheriff's Settlement - 2000 Taxes as of July 19, 2001. This tax settlement is the responsibility of the Floyd County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Floyd County Sheriff's taxes charged, credited, and paid as of July 19, 2001, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Paul H. Thompson, Floyd County Judge/Executive

Honorable John K. Blackburn, Floyd County Sheriff

Members of the Floyd County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 21, 2001

FLOYD COUNTY
JOHN K. BLACKBURN, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

July 19, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 916,727	\$ 1,106,611	\$ 3,698,087	\$ 879,309
Tangible Personal Property	194,784	93,184	616,036	300,168
Intangible Personal Property				133,807
Fire Protection	3,799			
Taxes Increased Through Erroneous Assessments	126	162	505	192
Franchise Corporation	318,247	250,039	1,074,291	
Unmined Coal - 2000 Taxes	67,793	79,556	273,476	65,026
Undeveloped Oil and Gas Property	92,724	56,770	374,050	88,939
Penalties	15,689	18,130	61,978	17,457
Adjusted to Sheriff's Receipt	(110)	(51)	(325)	(104)
Gross Chargeable to Sheriff	<u>\$ 1,609,779</u>	<u>\$ 1,604,401</u>	<u>\$ 6,098,098</u>	<u>\$ 1,484,794</u>
<u>Credits</u>				
Exonerations	\$ 12,307	\$ 14,671	\$ 49,445	\$ 11,984
Discounts	15,862	15,881	61,209	18,313
Delinquents:				
Real Estate	88,043	101,444	354,141	84,206
Tangible Personal Property	2,360	1,129	7,463	3,699
Intangible Personal Property				3,457
Unmined Coal - 2000 Taxes	1,093	1,185	4,407	1,048
Uncollected Franchise Corporation	8,442	8,986	31,244	
Total Credits	<u>\$ 128,107</u>	<u>\$ 143,296</u>	<u>\$ 507,909</u>	<u>\$ 122,707</u>
Net Tax Yield	\$ 1,481,672	\$ 1,461,105	\$ 5,590,189	\$ 1,362,087
Less: Commissions *	<u>63,259</u>	<u>42,185</u>	<u>111,804</u>	<u>58,176</u>
Net Taxes Due	\$ 1,418,413	\$ 1,418,920	\$ 5,478,385	\$ 1,303,911
Taxes Paid	1,416,467	1,416,597	5,470,546	1,302,001
Refunds (Current and Prior Year)	<u>1,946</u>	<u>2,319</u>	<u>7,839</u>	<u>1,910</u>
Due Districts as of Completion of Fieldwork	<u>\$ 0</u>	<u>** 4</u>	<u>\$ 0</u>	<u>\$ 0</u>

* and ** See Page 4

FLOYD COUNTY
JOHN K. BLACKBURN, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES
July 19, 2001
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	3,682,189
2% on	\$	5,590,189
1% on	\$	612,675

** Special Taxing Districts:

Maytown Fire District	\$	54
Middle Creek Fire District		<u>(50)</u>
Due Districts	\$	<u><u>4</u></u>

The accompanying notes are an integral part of the financial statement.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT

July 19, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of July 19, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
July 19, 2001
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 19, 2000 through July 19, 2001.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2000. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 20, 2000 through July 19, 2001.

Note 4. Interest Income

The Floyd County Sheriff earned \$38,022 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Floyd County Sheriff collected \$83,061 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Floyd County Sheriff collected \$5,890 of advertising costs and \$2,344 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

Note 7. Bond Coverage

KRS 134.230 and KRS 134.250 give the Fiscal Court the authority to require the Sheriff to have a county revenue bond. The county revenue bond is supposed to cover all tax monies in the Sheriff's possession. During 2000 tax year, the highest amount of tax collections on hand for the tax account was \$4,614,440. Since the Sheriff's county revenue bond was only \$100,000, the amount of the bond appears inadequate to protect the county from potential loss.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Floyd County Sheriff's Settlement - 2000 Taxes as of July 19, 2001, and have issued our report thereon dated December 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Floyd County Sheriff's Settlement - 2000 Taxes as of July 19, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Floyd County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 21, 2001

